

Springfield Revitalization District - Financial Feasibility Study



Prepared by MuniCap, Inc.

Prepared for Fairfax County

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Fairfax County Primary Objectives for Springfield

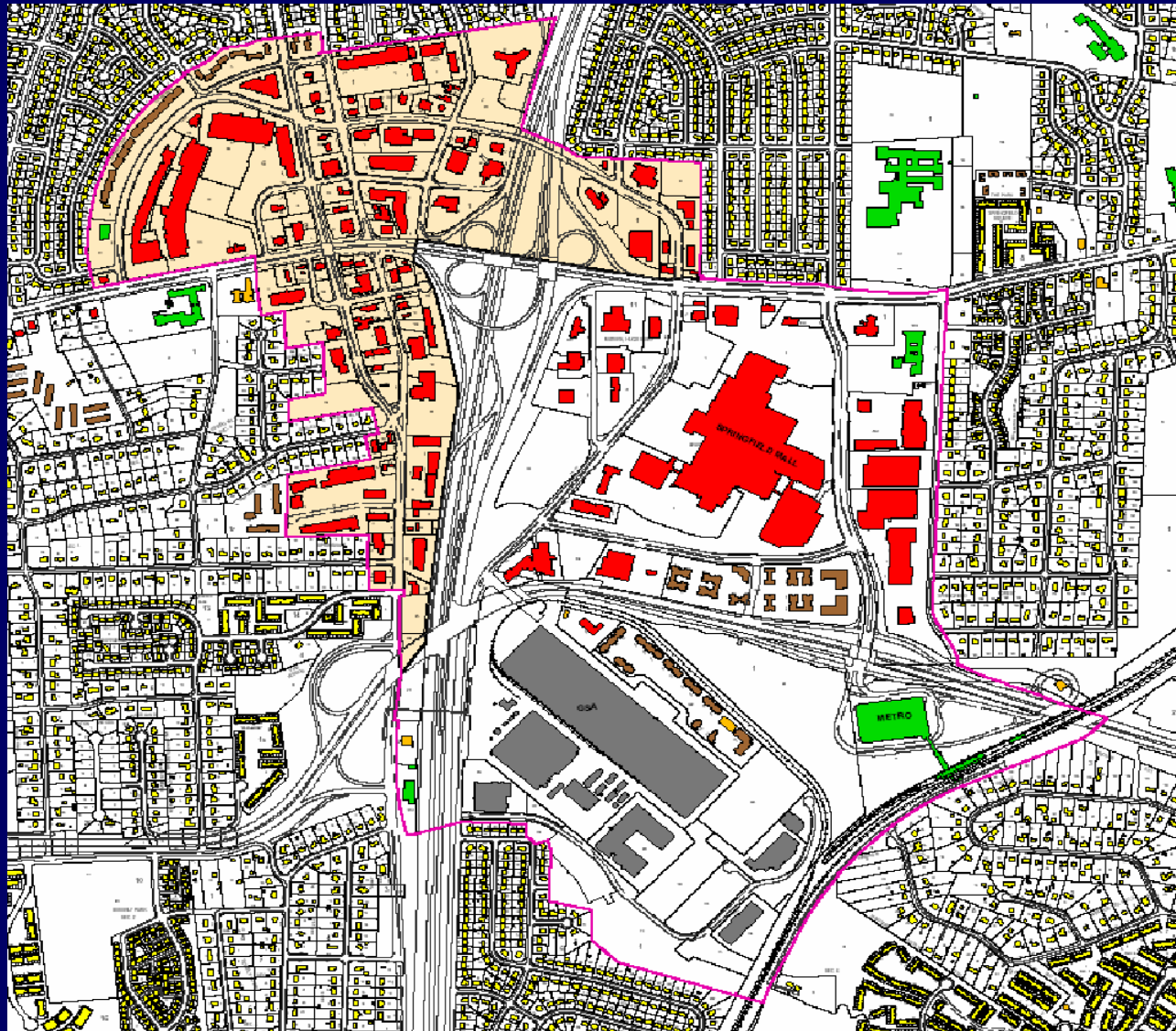
- ✓ Encourage revitalization and redevelopment of Springfield Community Business Center to create a more attractive, commercially viable, and functionally efficient business center and community focal point;
 - ✓ Establish land use and urban patterns in Springfield area that support mass transit;
 - ✓ Protect stable residential neighborhoods.
- *To achieve these objectives, Fairfax County designated a “Community Revitalization District” within Springfield.*

Goals of Community Revitalization District



- ✓ To establish and expand community reinvestment programs;
- ✓ To address long-term financing needs recognizing that additional tax revenues are generated by revitalization projects;
- ✓ To recognize market conditions and emphasize the use of private sector resources and capital investment, complimented by public investment.

Map of Springfield Area



Current Land Use

- ✓ Office – 18.19 acres
- ✓ Retail – 238.59 acres
- ✓ Industrial – 126.52 acres
- ✓ Other commercial – 43.21 acres
- ✓ Residential – 56.19 acres
- ✓ *Vacant/undeveloped – 103.05 acres*

Existing Conditions

- ✓ History of Under-Utilization and Blight
 - Low property values

<i>Mall</i>	<i>Value Per Square Foot (Anchors & Inline Tenants)</i>
Springfield Mall	\$158.24
Fair Oaks	\$200.17
Tyson's Corner	\$215.69
Source: Fairfax County Department of Tax Administration. Rental rates for Tyson's Corner are for the retail portion of the Tyson's Corner Galleria only, and are not to be confused with rental rates for the entire area of Tyson's Corner referenced elsewhere in this study.	

Existing Conditions (cont.)



- Low property values at Springfield Mall
- High ratio of parking lots to buildings
- Stagnated or declining assessed values
 - Springfield Mall experienced overall decline of 5.5% in assessed values from 2000 to 2005
 - Other retail property has experience declines of up to 10.8% in assessed value from 2000 to 2005
- Poor physical appearance of area buildings
- Degenerating public improvements

Potential for Redevelopment



- ✓ Redevelop Springfield Mall Area into “Town Center”

- ✓ Create a high-density, mixed-use center

This redevelopment could:

- ✓ Diversify the tax base by adding residential, office, and retail component;
- ✓ Dramatically improve conditions in a blighted area through large-scale, aesthetic redesign;
- ✓ Encourage and enable citizens to live near the Metro Center, naturally increasing ridership;
- ✓ Create a sense of “place.”

Example of Town Center – Parole Plaza (Annapolis, MD)



Example of Regional Mall Redevelopment – Hampton Coliseum Mall (Hampton, VA)



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MODEL PHOTOS

Other Examples of Public Involvement in Retail Development

Here is a look at some of the town center projects planned around northern Virginia:

MADISON CRESCENT:

- A 43-acre project in Prince William County at Route 15 and Route 29 in what is now farmland in Gainesville
- 250,000 square feet of office space along with a 120-room hotel and conference center
- 200 homes and town homes

POTOMAC CENTER:

- A 95-acre track proposed for development east of Interstate 95 and Opitz Boulevard near Potomac Mills outlet mall
- 650,000 square feet of retail and 200,000 square feet of office space
- 433 residential units including loft units above shops and others amid trees

LANSLOWNE TOWN CENTER:

- At the southern corner of Belmont Ridge Road and Riverside Parkway
- 18 office retail buildings
- 207 single-family attached lots

FALLS CHURCH:

- In a four block area at the northwest corner of Route 7 and Route 29
- retail would surround two parks – Democracy Square and Freedom Square
- 400-500 residential units
- more public hearings are planned

MERRIFIELD:

- At the corner of Gallows Road and Route 29
- 40 percent of the space for offices and 25 percent for retail
- Up to 1,000 residential units
- A proposal has been submitted to the county

MIDTOWN SPRINGFIELD:

- At the southwest corner of I-495 and I-95
- 40,000 square feet of office space, 100,000 square feet of retail space and a 10-story hotel
- 800 condos in three 23-story tower
- KSI has Fairfax County approval to zone the property, but is awaiting a hearing date. If approved, building would take three years.

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Purpose of Study



✓ Evaluate financial strategies for redevelopment and revitalization of Springfield Revitalization District

- Tax increment incentives
- Community Development

Authorities

Tax Increment Incentives – Overall Strategy

- ✓ Tool for local governments to encourage revitalization and economic development
- ✓ County commits to reinvest portion of increase in tax revenues that will result from revitalization;
- ✓ County commitment leveraged to attract additional private capital
- ✓ Combined public + private investment drives revitalization of area

Tax Increment Incentives – How They Work



- ✓ Tax base set at current level (*base value*)
- ✓ Redevelopment increases real property value, creating additional tax revenues
- ✓ Additional taxes over base taxes represent *tax increment revenues*
- ✓ Portion of tax increment revenues are reinvested in area to encourage redevelopment, which will result in increases in real property value.

Tax Increment Incentives – Criteria for Use



- ✓ Priority revitalization area;
- ✓ Need for public improvements or services
- ✓ “But for” test;
- ✓ Public investment leverages private investment;
- ✓ Positive tax revenues and positive fiscal impact to the County.

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Springfield Revitalization District – Three Scenarios

Scenario 1:

Assumes that private improvements within the Springfield Tax Incentive Area are those completed by KSI Services, Inc., along with the Residence Inn by Marriott (under development).

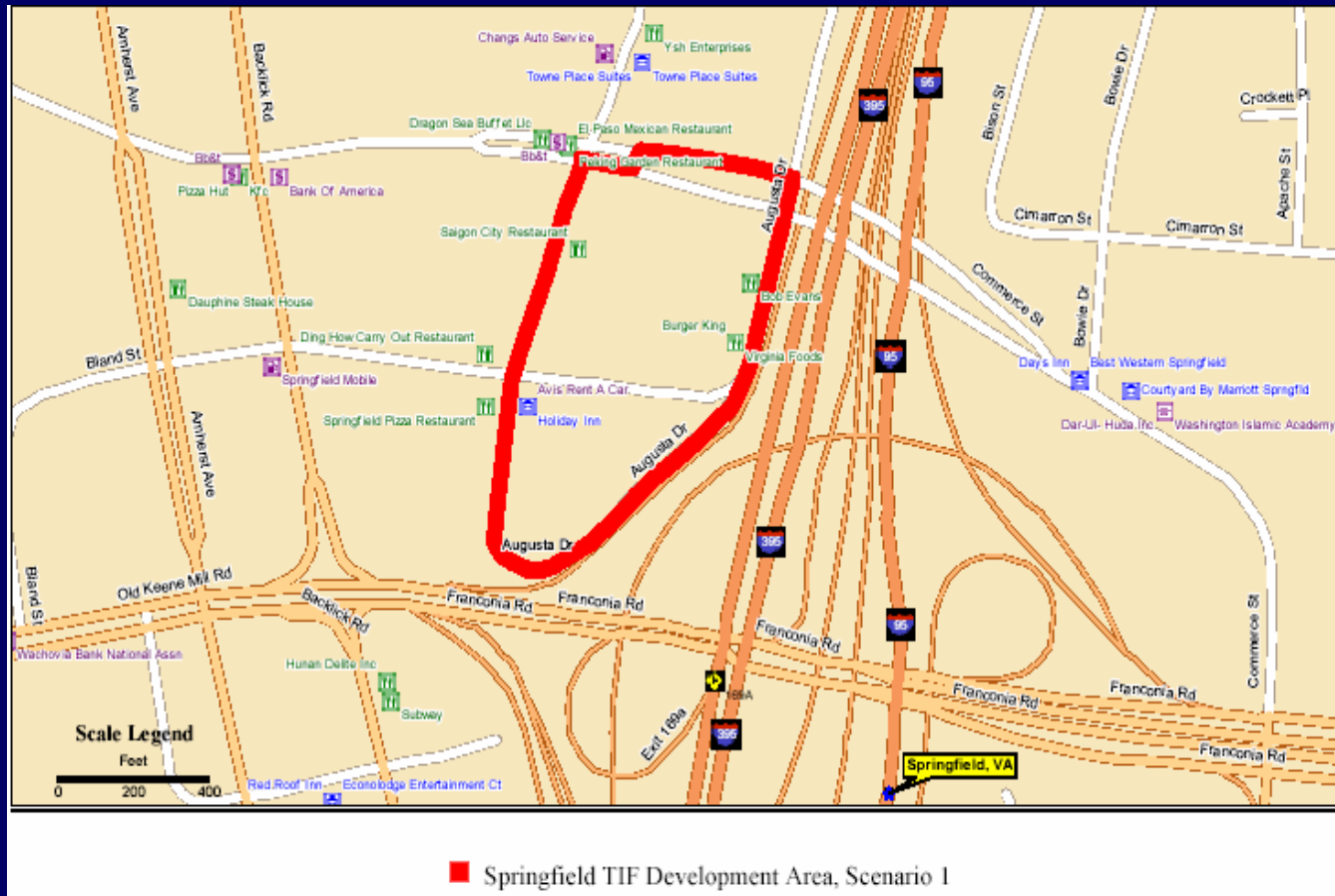
Scenario 2:

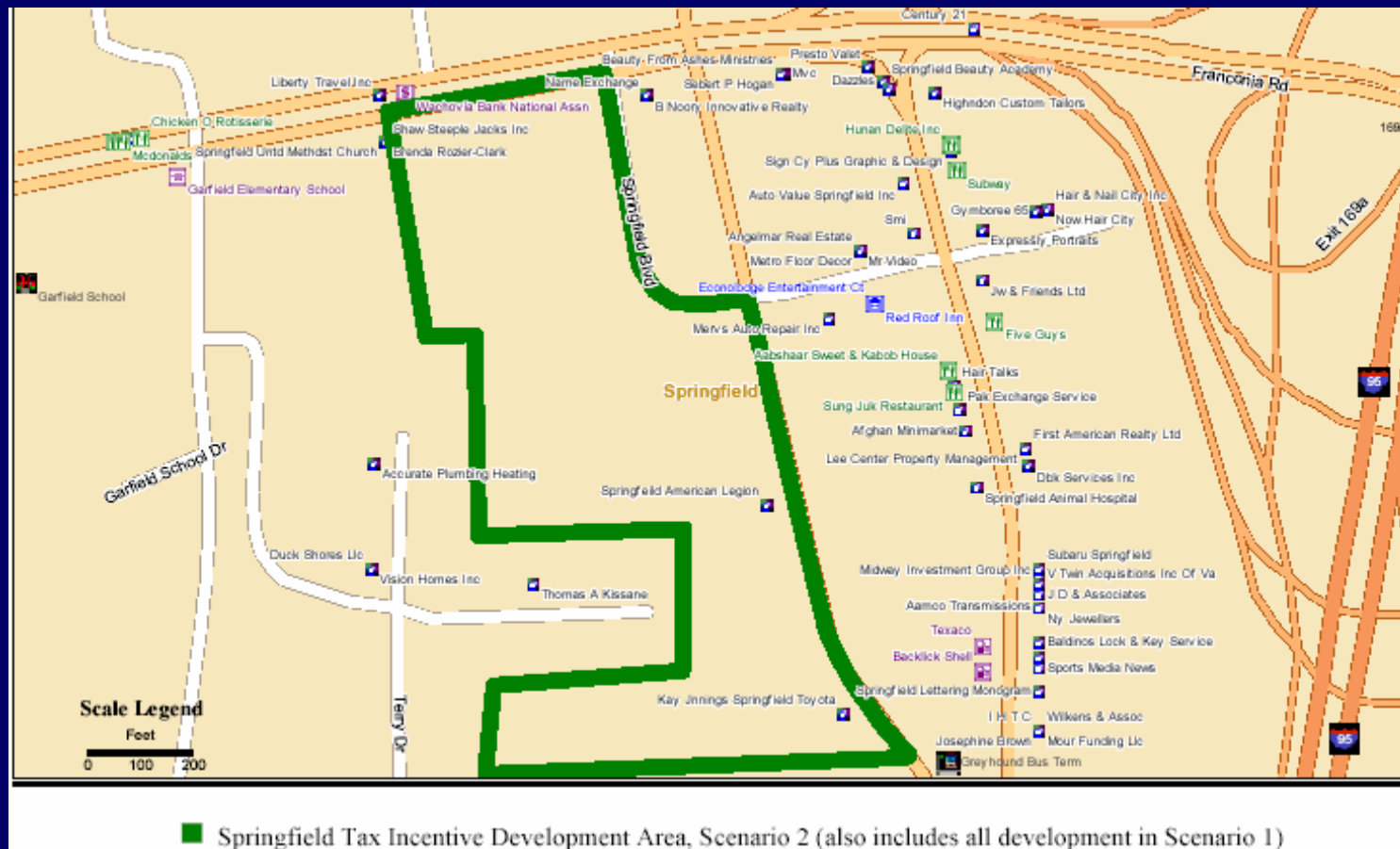
Assumes that, in addition to the development in Scenario 1, the current Circuit City and American Legion sites are also redeveloped.

Scenario 3:

Assumes that, in addition development in Scenario 2, the Springfield Mall is redeveloped into a “Town Center” high-density, mixed-retail site.

Scenario 1 Development Area





Scenario 3 Development Area



Estimated Assessed Value – Scenario 1

<i>Property Type</i>	<i>Estimated Value Per Sq. Ft./Room/Unit</i>	<i>Estimated Assessed Value</i>
Retail	\$231	\$23,100,000
Office	\$157	\$6,280,000
Hotel (non-extended stay)	\$105,000	\$15,750,000
Hotel (extended stay - Marriott)	\$140,000	\$23,100,000
Multi-family residential	\$200,000	\$40,000,000
Owner-occupied residential	\$500,000	\$300,000,000
<i>Total (all property)</i>		<i>\$408,230,000</i>

Estimated Assessed Value – Scenario 2

<i>Development</i>	<i>Acreage/Sq. Ft./ Units</i>	<i>Value Per Acre/Sq. Ft./ Unit</i>	<i>Estimated Assessed Values</i>
Expansion of Kay Jennings Toyota ¹	3.31	\$778,784	\$2,574,814
Retail ²	43,451	\$231	\$10,037,181
Office ²	17,380	\$157	\$2,728,660
Multi-family (condominiums) ²	261	\$500,000	\$130,500,000
Multi-family (apartments) ²	87	\$200,000	\$17,400,000
Sub-total Scenario 2			\$163,240,655
Increase from Scenario 1			\$408,230,000
Total for Scenario 2			\$571,470,655
¹ Based on current assessed value of \$5,077,470 on 6.52 total acres.			
² Based on development per acre as planned by KSI Services, Inc. in Scenario 1.			

Estimated Assessed Value – Scenario 3

<i>Development</i>	<i>GLA/Units</i>	<i>Value Per Sq. Ft./Unit</i>	<i>Assessed Value</i>
Retail	926,350	\$231	\$213,986,850
Class A Office	125,660	\$157	\$19,728,620
Condominiums	945	\$500,000	\$472,500,000
Apartments	290	\$200,000	\$58,000,000
Sub-total Scenario 3			\$764,215,470
Totals from Scenario 1 and Scenario 2			\$571,470,655
<i>Total (all scenarios)</i>			<i>\$1,335,686,125</i>

Economic Impacts



- ✓ Annual real property tax revenues
 - a. Scenario 1 – \$3,687,024
 - b. Scenario 2 – \$5,184,578
 - c. Scenario 3 – \$10,022,438
- ✓ Other annual tax revenues
 - a. Scenario 1 – \$1,925,249
 - b. Scenario 2 – \$2,684,066
 - c. Scenario 3 – \$8,539,246

Potential Public Reinvestment

- ✓ Incremental real property tax revenues could support estimated strategic public reinvestment of:
 - a. Scenario 1 = \$47,913,000
 - b. Scenario 2 = \$89,640,000
 - c. Scenario 3 = \$182,166,000

This public reinvestment would be:

- ✓ Spent on public improvements, including structured parking;
- ✓ Leveraged against private investments (6 to 10 private dollars per public dollar)

Next Steps



- ✓ Negotiate with project proponents;
- ✓ Develop specific plan;
- ✓ Prepare evaluation of specific plan;
- ✓ Propose implementation efforts for specific plan.